



GSL - Online

The Official Newsletter of the Montana Guaranteed Student Loan Program
A Division of the Office of the Commissioner of Higher Education

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Director's Den with Bruce Marks

Winter winding down means that we are close to our annual MASFAA conference. I particularly enjoy our MASFAA meetings because we have such a dynamic, dedicated, and fun group of people to work with. The combined savvy of our group will be required to get us through these interesting and challenging times. As Congress begins its deliberations of Reauthorization, there will likely be new hurdles and programs to overcome and administer.

Each day we read or hear something new about the state of student loans. The Regents convened a student loan task force and will deliver a series of recommendations at their March board meeting. Many lenders are changing or eliminating benefits to borrowers; in some cases, lenders are dropping out of the business altogether. The operating spread for many student loan providers – and even guarantors – has changed dramatically and will impact our business models going forward.

Your Montana student loan providers are some of the very best in the country and are working hard to ensure our students continue to receive the best service and rates possible. At MGSLP, we remain committed to serving students, our Montana residents, and you – our partners in improving access.

A Message from MHESAC

The following is a message from our partners at the Montana Higher Education Student Assistance Corporation (MHESAC).

Update on Auctions of Bonds Previously Issued by MHESAC

Since the second week of February, Montana Higher Education Student Assistance Corporation (MHESAC) has been informing the public that auctions associated with auction rate bonds that have been previously issued by MHESAC have been encountering problems.

As of February 28, recent auctions on Wall Street associated with \$953 million of MHESAC's outstanding auction bonds have recently been unsuccessful - meaning that the resale of previously issued MHESAC auction bonds between bondholders has not occurred. This disruption in the auction bond market is an ongoing manifestation of widespread credit and liquidity problems plaguing the financial markets.

For the first time since February 10th, an auction of MHESAC auction bonds was successful as \$30 million of taxable bonds were resold today. "This is a positive sign that certain investors are still relying upon and understand the strength of the credit quality of the assets financed by MHESAC's bonds. Unfortunately, \$155.9 million of tax-exempt auctions and \$13.3 million of taxable auctions were not successful this week."

Failures in auctions on outstanding auction bonds are currently widespread across the student loan industry as well as in other asset classes financed by auctions bonds. The Wall Street Journal reported earlier this month that bond auctions associated with long-term student loan financings by groups including Goldman Sachs Group, J.P. Morgan Chase and Co. and Citigroup Inc. have failed to spark the interest of investors.

"We still remain very concerned about the failure of the auctions and we continue to work diligently to develop strategies to refinance a significant portion of its outstanding auction bond securities. MHESAC's ability to accomplish

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Focus On: Draft Default Rate

On February 11, 2008 the Department of Education released the 2006 draft cohort default rates. The Montana Guaranteed Student Loan Program (MGSLP) draft cohort default rate for the federal fiscal year was 2.3%, down .5% from the previous year, making it the lowest default rate in the agency’s history.

“This rate can be attributed to a number of factors,” said Corena Benjamin, MGSLP’s Default Prevention Manager. “First and foremost, our default prevention team has done a tremendous job in utilizing the proactive and customer centric approach which really makes MGSLP unique in the industry. Additionally, the relationships we hold with our lenders are second to none, making achieving these types of numbers all the more possible”.

Cohort default rates are based upon national default statistics released annually by the U.S. Department of Education. The fiscal year 2006 cohort default rate is the most recent rate available and is calculated by determining the percentage of borrowers who began repaying their loans between October 1, 2005 and September 30, 2006, and who defaulted before September 30, 2007. The February released draft cohort rate allows schools to appeal the numbers listed for them if they are deemed incorrect. The official 2006 default rate is published in September.

Bruce Marks, Director of MGSLP, also credits the schools with helping to achieve this historic rate. “Our school partners are really doing a tremendous job of offering students the best help and advice for paying their loans. We are very pleased with the relationship and joint effort that helps our borrowers succeed.”

Focus On: Mapping Your Future

Mapping Your Future(MYF), the free web-based college, financial aid, career, and financial literacy information site, has announced that it will be hard at work on a site redesign project and implementation of a new domain name - MappingYourFuture.org. The new website will provide a revitalized look, updated content, new URLs, and improved site navigation.

In 2007, MYF acquired the web domain mappingyourfuture.org. Previously the MYF website could be found at the address mapping-your-future.org. The new domain name should result in less confusion for schools, students, or parents who are navigating to the website. MYF will remain in control of the mapping-your-future.org address; however after March 28, 2008 anyone accessing MYF via this address will be redirected to the new domain.

The website is also being thoroughly redesigned in an effort to create a more usable and user-friendly site incorporating new design elements but still maintaining the MYF logo and branding.

Additionally the email addresses for MYF staff members will be changing from firstname@mapping-your-future.org to firstname@mappingyourfuture.org. The old email address system will be maintained indefinitely.

MYF will also see changes to 3rd party site linking to the MYF site, as well as links for custom pages. All schools or other 3rd party sites should be aware that the changes to the website domain will break their current links. For information on updating links, or for a comprehensive list of website changes, please visit the MYF website at <http://mapping-your-future.org/downloads/02-2008OSLCE-News.html>.

-Remember-

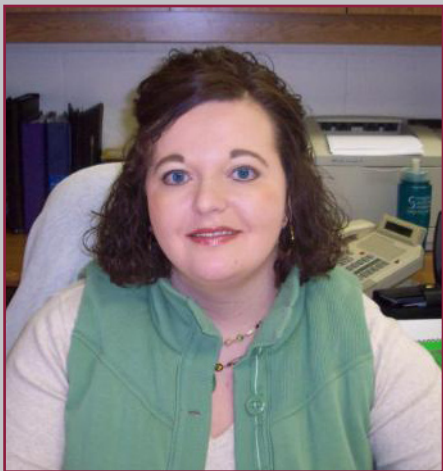
All schools and 3rd party sites should be aware that the changes to the website domain will break their current links.

Focus On: Person Search Enhancement

Person Search is an online service available in the school portal that allows financial aid professionals to search ScholarNet®, the FAST products and other resources for borrower and student information. This product shows you where a student is at in the financial aid process.

Enhancements to this feature include a “Counseling” tab which will retrieve information from Mapping Your Future® and display the type of counseling the student has taken; the type of loan program; and the date the counseling was completed. The new “Credit” tab will display information regarding the borrower’s credit history and will retrieve

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Tressa Johnson - Montana Tech

Focus On: Financial Aid

Tressa Johnson has been a Financial Aid Specialist at Montana Tech of the University of Montana for almost 1 year now. “I love working at Montana Tech and in Financial Aid,” says Tressa. “Helping students fund their education is what makes my job so passionate”.

A 2005 graduate of Montana Tech’s Business & Information Technology program, Tressa has held many jobs in the Financial Aid Industry. “I started as a Work-Study student in Financial Aid right out of High School in June of 2000,” says Tressa. “I was hired on full-time in the Financial Aid Office in May of 2005. I was hired as an Administrative Associate I. I stayed in this position a short time and then I was hired as an Administrative Associate III. I was in this position for about 1 ½ years.”

Driven and focused, Tressa’s main goals for the upcoming years are to “continue helping students and better serve their needs. Montana Tech is in the process of implementing a “One Stop Shop.” This will be very beneficial to our students as far as serving their needs. This is going to be a long process, but I will stay positive and focus on meeting the needs of our students during this transition,” says Tressa. “I would like to learn more about what Banner can do and how to implement what Banner can process. I would also like to get more involved in our State & Regional Associations”.

Tressa is also the organizer for MASFAA’s 40th Anniversary Conference to be held this April. “I am very excited to be this year’s organizer [for the MASFAA 2008 Conference]. The conference will be held at the Copper King Hotel & Convention Center April 2-4 [in Butte]. It is MASFAA’S 40th Anniversary and the theme is “HANDING DOWN THE HERITAGE”, says Tressa. “We have a full and informative agenda lined up.”

In her spare time, Tressa likes to coach Junior High Girls Volleyball, teach Adult Education Computer Classes, and is an Independent Advisor for Lia Sophia jewelry.

A Message from MHESAC: Continued from page 1

such strategies will be dependent upon a number of factors, including the availability of certain financing vehicles, if applicable, and related liquidity and/or credit enhancement facilities.”

But Stipcich reiterates “the most important message is that MHESAC has financing in place for Montana student loans for next fall — \$175 million for the 2008-2009 academic year — and we do not anticipate any impact on the availability of such MHESAC funds for providing student loans to Montanans.”

MHESAC, a nonprofit company has \$2 billion of debt which finances student loans, Stipcich explained. Of that, \$1.1 billion are tax-exempt auction bonds that were issued between 1995 and 2006 and upon which the interest rates are reset every 35 days through an auction process. As of today, the failed tax-exempt auctions for MHESAC total \$813.8 million and failed taxable auctions total \$139 million.

Usually at every interest reset rate,

auction bonds are rolled over and often repurchased by the same bondholder with the interest adjusted to reflect current rates. At every interest reset rate bondholders can attempt to sell the bonds, however, in the existing marketplace, auction bonds aren’t attracting bidders, causing bondholders to retain ownership of the bonds and interest rates paid on failed auction bonds to rise. The effort to resell the bonds is coordinated through a contracted third party. The interest rate on bonds where a failed auction has occurred is determined by a preset formula that is based on market indices.

Despite the current unrest in the auction market, MHESAC’s senior auction bonds retain the highest possible rating by the country’s largest rating agencies, Stipcich said.

The failure of MHESAC auction bondholders to be able to resell their bonds does not mean that MHESAC cannot or has not been able to sell bonds. MHESAC last effort to sell bonds was in December 2007 and

occurred without any problems. MHESAC has not attempted to sell any bonds since that date.

Of MHESAC’s debt that is not auction bonds — about \$900 million — \$725 million are fixed rate bonds or bonds financed at a fixed spread over a given index, with the other \$175 million being variable rate demand obligations that were issued in December 2007 that require a third party to buy the bonds if sellers want to sell and other buyers are unavailable.

Montana Higher Education Student Assistance Foundation is a 501(c)(3) nonprofit corporation organized under Section 150(d) of the U.S. Tax Code. MHESAC is dedicated to ensuring access to student loans and lowering the cost of financing postsecondary education by providing capital in the Federal Family Education Loan Program (FFELP) student loan secondary market, loan origination activities and borrower rebate programs. For more information, visit www.mhesac.org.

Focus On: Person Search Enhancement: Continued from page 2

the date that the initial credit was first pulled; the lender ID; the credit result (i.e. accepted, denied, or pending); and the date that the credit result expires.

Person Search will also retrieve Lender Choice activity from FASTChoice™. The “Lender Choice” tab will display the name of the lender; the loan program; and the date the student viewed the lender information. An “Awards” tab will populate data from the FASTAwards™ product. If your school does not use FASTAwards™ this tab will not be displayed. Under this tab you will be able to view the award period; the date that the award was issued; and the date the award was accepted or rejected. Detailed information will show the type of award i.e. Pell grant, work study, subsidized, alternative loan etc. This view will also display the amount offered and the amount accepted by the student.

The Person Search “Loan in Progress” tab will display information retrieved from ScholarNet®, GOALS and the FAST products and will give details concerning certification, applications, MPNs and loans. The new details will make it easier to obtain information about the status of each element at each stage of the process. Schools will be able to instantly see and explain to a student the status of their loan and what, if anything, is still needed to complete the loan.

The final feature is the “Loan History” tab. After a loan is fully disbursed and the loan period end date is more than 30 days old the information in “Loan in Progress” will move to Loan History and will be stored for a period of up to seven years.

We believe that these enhancements will aid in the efficiency and effectiveness of your financial aid office to provide service to your students. If you have any question about Person Search or any of MGSLP’s products and services please contact Carie Kelly at 1-800-537-7508.

Housekeeping: (upcoming events; personnel news, etc.)



New GSL employees (from left to right): Moira McNichols-Drake; Valerie Fisher; Becky Carpenter

- GSL welcomes three new employees to the team: Moira McNichols-Drake joins GSL as the newest Client Services Representative; Valerie Fisher joins GSL as one of two new Default Prevention Counselors; and Becky Carpenter also joins GSL as the second of two new Default Prevention Counselors.
- The Montana Association of Student Financial Aid Administrators (MASFAA) conference will be held April 2 -4, 2008 in Butte at the Copper King Hotel & Convention Center. This years theme is “Handing Down the Heritage”.
- The Montana Credit Union Conference will be held April 24 - 26, 2008 in Great Falls.
- The Montana Family Education Savings Plan (MFESP) and College Savings Bank™ announced that the InvestorSure CD, MFESP’s newest investment option, had as of January 30, 2008 already surpassed \$1 million in total assets on over 150 accounts. The first of the InvestorSure CDs were issued on February 1, 2008 with an S&P closing market value of \$1362.30.